Testimony of Ted M. Falgout

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Committee on Transportation and Infrastructure

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Mr. Chairman and Members of the Committee, my name is Ted Falgout, and I am Port Director of this Nation's most significant energy port, Port Fourchon, a place you may not have heard of before today, but believe me, if it is rendered inoperable, you will hear a lot about it. In fact, I would venture to say that there will be Congressional Hearings on how could we have left such a critical piece of nationally significant energy infrastructure so vulnerable.

Being a fisheries biologist by education and an avid outdoorsman, I understand and witness daily the coastal losses that we are dealing with. As a Port Director and having been actively involved in Coastal Zone Management for nearly three decades, I have been directly involved in sustaining the industrial and cultural resources that are at risk.

You have already heard much about what is at risk and what we propose to do about it. I will use my time to focus on the issue I know best -- the role this remote area plays in furnishing the energy that impacts our every day lives.

This country's richest oil and gas resources by far are located offshore from Louisiana, and therefore the majority of support infrastructure runs through coastal Louisiana.

Unlike many states, Louisiana has embraced the offshore oil and gas industry; we do it well, with very little fanfare.

In 1995, with the passage of the Royalty Relief Act and the advancement of new technology, the Gulf of Mexico was transformed from what was once called the Dead Sea to what is now

America's Expanding Frontier. This transition occurred seemingly overnight and made way for the Black Gold Rush to "deepwater" – an area in the Gulf of Mexico, outside of any state boundaries, and near or off of the Outer Continental Shelf. Once again Coastal Louisiana was called upon to support this country's energy needs.
The post Royalty Relief shift to OCS exploration and deepwater is significant – a decision of this nation that has been very rewarding, with reduced foreign energy dependence, balance of trade, record lease sales, and fat bonuses.

Much like the Gold Rush of the 1800's, this country has pursued the Golden Gulf with virtually no policy and very little concern about the landside infrastructure needed to retrieve this bounty.

The Gulf of Mexico is now in its 9th year of sustained expansion of the deepwater frontier. According to the U.S. Minerals Management Service, deepwater oil and gas exploration and development in the Gulf of Mexico Outer Continental Shelf has exceeded even the most optimistic expectations and shows no sign of diminishment. There are now 90 hydrocarbon production projects on line approaching 1 million barrels of oil per day, and 3.6 billion cubic feet of natural gas. In 2002, deepwater oil production surpassed production on the shelf, and there is an estimated 71 billion barrels of reserve in the deepwater Gulf. More than Alaska.

An astounding 87% of the oil and 80% of the natural gas from federal offshore waters is coming from offshore Louisiana.

In addition to its huge role in domestic production, Coastal Louisiana serves as the land base for LOOP, this nation's only offshore oil port which handles about 15% of this country's foreign oil and is connected to over 30% of the U.S.'s total refining capacity.

When you combine Coastal Louisiana's ever-increasing role in the deepwater Gulf of Mexico and LOOP's role in both domestic and foreign oil, Coastal Louisiana plays a critical role in more than a quarter of this country's oil and gas supply. Much of this support infrastructure is located in the most rapidly deteriorating and vulnerable areas of the Coast.

A prime example of the vulnerability is the Port I manage. Sitting on the Gulf, there is simply no better place geographically, economically and environmentally to support this offshore activity. Our port currently supports 75% of the deepwater production in the Gulf. We are connected to the mainland by a 17-mile stretch of winding road that runs through the most rapidly eroding estuary in the country, perhaps the world. Largely as a result of coastal land loss, it is often inundated by flooding from tropical systems and subject to being totally washed out.
To give you some idea of what's at stake here, I'll go back to 2002, when as a result of Tropical Storm Isidore and Hurricane Lili, much of the Gulf production off of Louisiana was shut down for 8 days, and over 22.4 million barrels of oil and 88.9 billion cubic feet of gas were not available for the U.S. Market. That's well over a Billion Dollars of raw product in only 8 days.

A disruption of the highway system leading to Port Fourchon and the other support areas would have a similar impact.

I cannot mention the threat that exists to our nation's energy supply as coastal land loss takes its toll without touching on the tremendous inequity that exists in offshore revenue sharing.

In 2002, the U.S. Minerals Management Service generated from offshore mineral leases over $7.5 billion nationally, which went to the U.S. Treasury. Of this amount, over $5 billion, more than 2/3, came from offshore Louisiana. If this would have been on federal lands within the state, Louisiana would have collected 50% of these revenues. Alaska would have gotten 90%. But because this activity is outside of the State's 3-mile jurisdiction, we are feeling the full impact of supporting this activity, but not sharing in the revenues. Louisiana received $13.4 million in 2002, or ¼ of 1% of what was generated off of its coast, while in contrast, New Mexico received what $387 million or 50% of what mineral-related activities on federal lands generated within its state.

If Louisiana shared anywhere close to that percentage, we would not be before you today. We would be deploying the necessary resources to address this aggression.

I use the word aggression in its most serious sense. Today we have a very formidable aggressor in Coastal Land Loss that is capturing hundreds of thousands of acres of U.S. soil; it is threatening our unique culture, our abundant renewable resources, and the infrastructure that fuels this nation.

Unless we invest at a level necessary to halt this aggressor now, we will pay dearly in the future. With the level of land loss that exist today, a well placed Category Four Hurricane would cause the price of gasoline to go up $1.00, double the price of natural gas, and cause huge loss of life. This would throw this country into an immediate recession and its impacts would dwarf the costs of protection. I pray that the next time I testify it is not to say, "I told you so".